



Rich E. Blanchard

Managing Director, RICH Home Loans LLC
 NMLS: 492461
 1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900
 Mobile: 303.328.7047
 Fax: 214.975.2874
richblanchard@richhomeloans.com
[View My Website](#)

MBS Recap: Strong Auction Helped, but Bonds Still Got Hurt

The sense of illiquidity was palpable today. This began in the overnight session when comments from the European Central Bank sent European bond yields screaming higher. Treasuries would typically follow--at least to some extent--but they barely budged. **The problem?** There weren't enough sellers in the market to force buyers to bargain shop (thus keeping prices higher and yields lower than they otherwise might have been).

The **imbalance changed quickly** at 8:20am. That's when the a big glut of domestic bond traders begin their trading day--a fact that was readily apparent in CME's block trade screen. Several massive trades came through at 8:23am, and then again just after the Durable Goods data at 8:30am. This created enough momentum to run stops (force bond traders to sell at stop-loss levels in order to avoid additional weakness) heading into the NYSE open.

Weaker momentum continued all the way up to the 11:30am 7yr Treasury auction. Granted, the 7yr auction is not historically the most important Treasury auction and granted, Treasury auctions haven't been major market movers for several years. But investors are **particularly worried** about the current state of global demand for US Treasuries as long-term inflation expectations have been repriced. In that regard, today's 7yr auction served as an important litmus test.

The results? The auction was more than strong enough to show us where global demand could be found.

The downside? The abundant supply of global demand required 10yr yields over 2.40%.

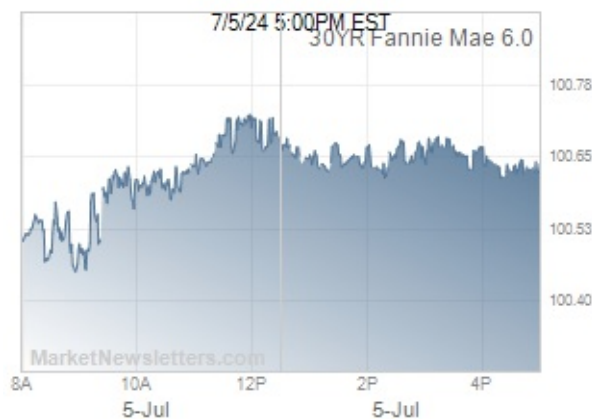
Rates recovered some of the losses after the auction, but nonetheless ended the day in much weaker shape vs yesterday. 10yr yields were up 4bps at 2.355 and Fannie 3.5s were down nearly 3/8ths of a point at 102-18. Bond markets are **closed tomorrow for Thanksgiving**, and only open a nominal half day on Friday.

Subscribe to my newsletter online at:
<http://housingnewsletters.com/richhomeloans>

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

Pricing as of: 7/5 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/5

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard

